

Message Text

CONFIDENTIAL

PAGE 01 MEXICO 13678 271834Z

14

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C O N F I D E N T I A L MEXICO 13678

E. O. 11652: GDS

TAGS: EFIN, EINV, MX

SUBJECT: JLP MEETS WITH TOP U.S. BUSINESSMEN; SUBSEQUENTLY DISCUSSES
MEETING WITH AMGASSADOR

1. SUMMARY: ON FRIDAY, OCTOBER 22, A DOZEN MAJOR U.S.
BUSINESSMEN/INVESTORS MET PRIVATELY WITH LOPEZ PORTILLO
FOR A FRANK DISCUSSION OF FOREIGN (U.S.) INVESTMENT IN
MEXICO OF THE NEXT SIX YEARS. BOTH SIDES FOUND THE MEETING
PRODUCTIVE, AS JLP MADE HIS SATISFACTION EXPLICIT TO THE
AMBASSADOR IN THEIR TETE-A-TETE THE NEXT DAY. END SUMMARY.

2. MIGUEL ALEMAN FIRST STIMULATED THE MEETING SEVERAL
MONTHS AGO. ON THE AMERICAN SIDE, DILLON REED AND COMPANY
AND KENDELL(PEPSICO) ORGANIZED THE RESPONSE. THE RESULT
WAS A PRIVATE MEETING OF TOP U.S. BUSINESSMEN/INVESTORS
(DUPONT, GM, PEPSICO, SEARS, PFIZER AND OTHERS) WITH LOPEZ
PORTILLO ON OCTOBER 22. PETER FLANIGAN(A SENIOR PARTNER
IN DILLON REED) PROVIDED TALKING PAPERS TO THE U.S.
PARTICIPANTS ON THE BASIS OF A TIGHTLY DRAWN AGENDA, WHICH THE
BUSINESSMEN CLAIMED WAS "CLEARED WITH SECRETARY KISSINGER".

3. THE AMERICANS, HAVING MET PREVIOUSLY IN THE U.S.,
WERE PREPARED FOR A FRANK DISCUSSION.UNLIKE A
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PAGE 02 MEXICO 13678 271834Z

PRIOR MEETING OF U.S. BUSINESSMEN WITH PRESIDENT

ECHEVERRIA ON JANUARY 18, 1975, AT WHICH THE PRESIDENT AND STAFF SERMONIZED HIS LISTENERS, FRIDAY'S MEETING WAS NOTABLE FOR ITS FRANK INTERCHANGE IN WHICH THE AMERICAN PARTICIPANTS PRESENTED THEIR POSITIONS BASED ON FLANIGAN'S AGENDA. THE AMERICANS WERE PARTICULARLY IMPRESSED BY THE QUALITY OF THE DISCUSSION AND BY JLP'S ASSERTION HE HOPED THIS WOULD BE THE FIRST OF MANY MEETINGS.

4. LOPEZ PORTILLO STRESSED TO THE AMERICANS THAT HIS REGIME WOULD BE INDEPENDENT AND NOT CONSTRAINED BY THE POLICIES OF THE LAST SEXENIO. TO ACHIEVE SUCH FREEDOM FROM THE PAST, HE WOULD REQUIRE THE COLLABORATION OF THE BUSINESS COMMUNITY--BOTH FOREIGN AND DOMESTIC. WHILE HE GREATLY DESIRED FOREIGN BUSINESS PARTICIPATION AND INVESTMENT IN MEXICO, IT MUST BE SELECTIVE AND STIMULATE MEXICO'S REAL GROWTH. IN ADDITION, JLP ESPOUSED THE RECURRENT THEME THAT MEXICO MUST EXPAND ITS MARKETS AND SOURCES OF FINANCE. FOREIGN BUSINESS HE SAID, MUST BE GUARANTEED EQUITABLE TREATMENT AND A FAIR PROFIT--POINTING OUT THAT THIS IS AN ARGUABLE SUM. THOUGH GOVERNMENT POLICIES REFLECTING CURRENT NEEDS SHOULD NOT VIOLATE PRIOR UNDERSTANDING WITH VESTED INTERESTS, STILL, JLP SAID, FOREIGN BUSINESSMEN MUST REALIZE THAT POLITICAL SOVEREIGNTY IN MEXICO WAS A CONCEPT OF THE HIGHEST IMPORTANCE.

5. THE U.S. BUSINESSMEN EXPRESSED THEIR CONCERN AT A NUMBER OF RECENT DEVELOPMENTS AND CURRENT TRENDS. JLP RESPONDED THAT HE KNOWS THE PROBLEMS AND THINKS HE KNOWS SOME OF THE ANSWERS, AS RUNNING MEXICO WAS, IN MANY WAYS, LIKE RUNNING A BUSINESS. PARTICULARLY IMPORTANT WAS TO OBSERVE THE RULES OF THE GAME AND NOT TO CHANGE THEM IN THE MIDDLE OF PLAY. SOME PROBLEMS HE SAID HE COULD SOLVE IMMEDIATELY; OTHERS WOULD TAKE CONSIDERABLY LONGER. THOUGH HE WAS NOT KNOWLEDGEABLE AS TO THEIR DETAILS, JLP STATED HE WOULD REVIEW, FOR EXAMPLE, THE PATENTS AND TRADEMARKS LAW FOR POSSIBLE CONFLICTS WITH MEXICO'S INTERNATIONAL TREATY OBLIGATIONS AND OTHER IRREGULARITIES; THE FOREIGN INVESTMENT LAW FOR POSSIBLE INEQUITIES, THOUGH IT WAS ALSO NECESSARY TO

CONFIDENTIAL

PAGE 03 MEXICO 13678 271834Z

AVOID "MAJORITY ABUSE". IN RESPONSE TO THE AMERICANS' CONCERN ABOUT THE POSSIBLE USE OF PRICE CONTROLS, JLP SAID THAT WHILE UNWELCOME TO THE BUSINESS COMMUNITY, AN ECONOMIC CRISIS MIGHT REQUIRE SUCH RECOURSE.

6. FANK LORETTA(DUPONT MEXICO) REPORTED DUPONT CHAIRMAN SHAPIRO'S COMMENT THAT "THE ENTIRE GROUP WAS HIGHLY IMPRESSED" BY JLP'S FRANKNESS, LOGIC AND

STRAIGHTFORWARDNESS, AND GAVE HIM HIGH MARKS FOR THE MANNER IN WHICH HE RESPONDED TO THEIR QUESTIONS AND EXPLAINED HIS OWN POSITIONS.

7. WHEN THE AMBASSADOR CALLED ON LOPEZ PORTILLO SATURDAY MORNING, JLP HIMSELF RAISED THE SUBJECT, ENTHUSIASM ABOUT THE MEETING AS HAD THE AMERICAN BUSINESSMEN THE PREVIOUS DAY. HE THOUGHT THE INTERCHANGE PRODUCTIVE AND WANTED MORE SUCH FRANK MEETINGS. HE REPEATED SEVERAL OF THE THEMES OF THE MEETING: THE FAVORABLE ROLE OF FOREIGN INVESTMENT IN MEXICO(PARTICULARLY U.S. INVESTMENT), BUT WITH THE CAVEAT THAT IT MUST BE SELECTIVE AND CONTRIBUTE DIRECTLY TO MEXICO'S DEVELOPMENT PLANS, CREATING NOT ONLY JOBS BUT FOREIGN EXCHANGE(THROUGH EXPORT). AS ON THE DAY BEFORE, HE SPOKE OF THE RULES OF THE GAME, BUT POINTED OUT BOTH SIDES MUST PLAY BY THE RULES. ADDITIONAL TO THOSE POINTS DISCUSSED IN THE BUSINESSMEN'S MEETING AND REPORTED ABOVE, THE AMBASSADOR RAISED THE CRUCIAL IMPORTANCE TO ANY INVESTMENT ASPIRATIONS OF THE GOVERNMENT OF THE NEED TO REBUILD CONFIDENCE AMONG ALL POTENTIAL INVESTORS IN THE GOM'S ABILITY TO MANAGE ITS FINANCIAL AND ECONOMIC PROGRAMS, AND TO ASSUME FAIR AND WELCOMING TREATMENT TO AMERICAN AND OTHER FOREIGN INVESTORS. THE AMBASSADOR SPECIFICALLY ALLUDED TO THE PATENTS AND TRADEMARKS LAW WHICH IS OF IMMEDIATE CONCERN TO AMERICAN INVESTORS AND OTHER BUSINESSMEN, AND RELIEF FROM WHICH WOULD BE A HIGHLY VISIBLE SIGN OF WELCOME TO U.S. INVESTMENT.
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